

# State of Colorado



**Bill Owens**  
Governor

**Jeffrey M. Wells**  
Executive Director

**Paul Farley**  
Deputy Executive Director

**Leslie M. Shenefelt**  
State Controller

## DPA

Department of Personnel  
& Administration

Division of Finance and Procurement  
State Controller's Office  
633 17<sup>th</sup> Street, Suite 1500  
Denver, Colorado 80202  
Phone (303) 866-6200  
Fax (303) 866-4233  
[www.colorado.gov/dpa](http://www.colorado.gov/dpa)

January 26, 2006

The Honorable Bill Owens  
Governor  
136 State Capitol Building  
Denver, Colorado 80203

Dear Governor Owens:

I am submitting a Quarterly Financial Report on the status of the state's financial condition for the six-month period ended December 31, 2005. This Quarterly Financial Report summarizes activity in the General Fund and the Capital Construction Fund.

The attached Exhibit A provides a *Balance Sheet* for the Unrestricted General Fund and Capital Construction Fund at December 31, 2005. Factors that contribute to the General Fund \$782.2 million deficit Total Fund Equity are addressed in the Exhibit B discussion below. When four percent of appropriations are reserved, as is required by current law, the General Fund unreserved fund balance deficit is \$1,034.1 million. This compares to the unreserved fund balance deficit of \$987.5 million at December 31, 2004.

The General Fund is normally in deficit at this time of year because individual income tax, insurance premium tax, and gaming transfers are disproportionately recorded in the second half of the fiscal year and because of the legal requirement for the Department of Education to transfer nine months of public school moneys by the end of the second quarter. This transfer caused approximately \$551.7 million of the \$1,034.1 million unreserved fund balance deficit.

The cash position of the General Fund has improved over December 31, 2004. The state's current General Fund cash position (defined here as the Liability to Pooled Cash plus the State Treasurer's short-term borrowing payable in June 2006, reduced by investments available for liquidation) is \$977.4 million in deficit. The state's General Fund deficit cash position was \$1,102.1 million, \$905.4 million, and \$1,688.5 million at December 31, 2004, 2003, and 2002, respectively. The General Fund has access to various cash funds' cash balances, and therefore, the state's overall cash position is best considered using the definition of borrowable resources, which currently shows resources in excess of \$2,155.1 million.

Exhibit B provides a *Schedule of Revenues, Expenditures and Changes in Unreserved Fund Balance - General Fund - Budget and Actual* for the six-month period ended December 31, 2005. The Current Annual Estimate/Unrestricted Budget column reflects the most recent OSPB estimate of revenues on the modified accrual basis for the fiscal year and appropriations and transfers currently in law without restrictions. Actual revenues reported on the December Year-to-Date Revenue Summary Report exceeded the estimate by \$57.1 million. This amount is not reflected in the Current Annual Estimate, and it is therefore not reflected in the projected

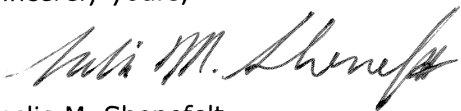
ending unreserved fund balance. The \$57.1 million is reflected in the actual unreserved fund balance deficit. The line item titled Difference Between Recorded and Estimated Appropriations is primarily related to Department of Treasury spending authority of \$67.1 million that was in excess of the \$39.4 million OSPB estimate of General Fund paybacks to cash funds. Statutes required the paybacks to be based on Legislative Council revenue estimates. This variance was offset by OSPB estimates of certain statutorily authorized expenditures that are greater than the Long Bill spending authority recorded for the Department of Revenue. Based on statutory authorization, the Department of Revenue's spending authority will be increased if the actual expenditures for these items exceeds the Long Bill spending authority recorded.

At the end of the second quarter, actual general-purpose revenues were \$3,029.8 million, which is 48.4 percent of the annual estimated revenue. Due to the deferral of payroll expenditures and Medicaid costs from Fiscal Year 2004-05 into Fiscal Year 2005-06 and the accelerated transfers to the Public School Fund, it is not practicable to assess whether departmental spending rates are consistent with a quarterly allocation of appropriations. However, similar expenditure deferrals and accelerated transfers existed in Fiscal Year 2004-05. Departmental expenditures of the General Fund at the second quarter of the current fiscal year were 62.9 percent of current appropriations, which compares with the prior year figure of 66.9 percent of appropriations at December 31, 2004. In compliance with statutory requirements to report Medicaid expenditures on the cash basis, the Department of Health Care Policy and Financing did not prepare an accrual of Medicaid costs at December 31, 2005 or December 31, 2004. The Medicaid accrual was \$162.9 million at December 31, 2003.

Exhibit C is a *Schedule of Revenues, Expenditures, and Changes in Unreserved Fund Balance – Funded By General Purpose Revenue – Budget and Actual – Capital Construction Fund* for the six-month period ended December 31, 2005. The estimated expenditures of the Capital Construction Fund do not reflect budget restrictions. Actual expenditures of the Capital Construction Fund in the current year are expected to be significantly less than outstanding appropriations because of the multi-year nature of the appropriations compared to current fiscal year expenditures. The \$48.2 million deficit unreserved fund balance is primarily the result of \$129.7 million of encumbrances that are legal commitments of cash and federally funded projects as well general funded projects. Not all of the revenue supporting the cash and federally funded projects has been earned at December 31, 2005.

Based on a review of the attached financial reports and agency comments, I have presented the financial issues that I believe are significant to the state. Questions concerning this report should be directed to my office.

Sincerely yours,



Leslie M. Shenefelt  
State Controller

Attachments

cc: Jeffrey M. Wells, DPA  
Henry Sobanet, OSPB  
John Ziegler, JBC  
Website

**BALANCE SHEET**  
**GENERAL AND CAPITAL CONSTRUCTION FUNDS**  
**DECEMBER 31, 2005**

<b>(DOLLARS IN THOUSANDS)</b>	<b>UNRESTRICTED GENERAL FUND</b>	<b>CAPITAL CONSTRUCTION</b>
<b>ASSETS:</b>		
Cash and Pooled Cash	\$ -	\$ 88,542
Taxes Receivable, net	785,484	-
Other Receivables, net	36,766	1,280
Intrafund Receivables	21,732	1,009
Due From Other Governments	246,401	1,205
Due From Other Funds	4,520	4,170
Inventories	9,107	-
Prepays, Advances, and Deferred Charges	43,817	5,261
Investments	3,912	-
Other Long-Term Assets	221	156
<b>TOTAL ASSETS</b>	<b>\$ 1,151,960</b>	<b>\$ 101,623</b>
<b>LIABILITIES</b>		
Liability to Pooled Cash	\$ 273,391	\$ -
Tax Refunds Payable	461,428	-
Accounts Payable and Accrued Liabilities	234,349	13,532
TABOR Refund Fiscal Year 2004-05	41,064	-
Due To Other Governments	36,231	-
Due To Other Funds	55,412	164
Intrafund Payables	241	-
Deferred Revenue	132,635	5,248
Other Current Liabilities	699,291	3
Deposits Held in Custody for Others	102	-
Other Long-Term Liabilities	7	-
<b>TOTAL LIABILITIES</b>	<b>1,934,151</b>	<b>18,947</b>
<b>FUND EQUITY:</b>		
Fund Balances:		
Reserved For:		
Encumbrances	-	129,687
Other Specific Purposes	-	1,040
Long-Term Assets and Loans Receivable	221	156
Statutory Reserve	251,700	-
Unreserved:		
Designated	-	(48,207)
Undesignated	(1,034,112)	-
<b>TOTAL FUND EQUITY</b>	<b>(782,191)</b>	<b>82,676</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,151,960</b>	<b>\$ 101,623</b>

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
UNRESERVED FUND BALANCE - GENERAL FUND  
BUDGET AND ACTUAL - BUDGETARY BASIS  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2005**

<b>(DOLLARS IN THOUSANDS)</b>	<b>CURRENT ANNUAL ESTIMATE/ UNRESTRICTED BUDGET</b>	<b>ACTUAL</b>	<b>PERCENT OF ESTIMATE</b>
<b>REVENUES:</b>			
Sales and Use Tax	\$1,866,500	\$ 935,226	
Other Excise Taxes	92,300	47,236	
Individual Income Tax, net	3,674,500	1,742,583	
Corporate Income Tax, net	300,000	188,587	
Estate Tax	5,600	3,409	
Insurance Tax	191,200	72,373	
Parimutuel, Courts, and Other	87,400	24,212	
Investment Earnings	3,700	16,133	
Gaming	41,700	-	
<b>TOTAL GENERAL PURPOSE REVENUES</b>	<b>6,262,900</b>	<b>3,029,759</b>	<b>48.4%</b>
<b>EXPENDITURES:</b>			
Agriculture	4,345	2,604	
Corrections	533,312	295,078	
Education	2,698,322	2,112,581	
Governor	16,066	9,211	
Health Care Policy and Financing	1,384,796	672,832	
Higher Education	598,154	323,899	
Human Services	504,200	259,266	
Judicial Branch	236,744	135,748	
Law	7,499	3,707	
Legislative Branch	29,861	13,828	
Local Affairs	8,607	5,876	
Military Affairs	4,138	2,240	
Natural Resources	22,926	16,016	
Personnel and Administration	8,574	5,312	
Public Health and Environment	15,312	8,337	
Public Safety	59,449	30,249	
Regulatory Agencies	1,103	746	
Revenue	158,002	91,229	
Treasury	53,771	72	
<b>SUBTOTAL DEPARTMENTAL EXPENDITURES</b>	<b>6,345,181</b>	<b>3,988,831</b>	<b>62.9%</b>
Appropriation to Capital Construction Fund	100	76	
Anticipated Referendum C Supplemental Bill Increase in Expenditures	113,000	-	
Difference Between Recorded and Estimated Appropriations	(16,281)	-	
<b>TOTAL GENERAL FUNDED EXPENDITURES</b>	<b>6,442,000</b>	<b>3,988,907</b>	
<b>EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES</b>	<b>(179,100)</b>	<b>(959,148)</b>	
<b>EXCESS AUGMENTING REVENUES</b>		<b>3,074</b>	
<b>TRANSFERS:</b>			
Transfer from Controlled Maintenance Trust Fund to General Fund	232,800	-	
Transfers from General Fund to Repay Cash Funds	(39,400)	(67,100)	
Transfer of Excess Beginning Reserve to Highways and Capital Construction	(95,600)	(98,017)	
<b>TOTAL TRANSFERS</b>	<b>97,800</b>	<b>(165,117)</b>	
<b>NET CHANGE IN UNRESERVED FUND BALANCE RELATED TO BUDGETED OPERATIONS</b>	<b>(81,300)</b>	<b>(1,121,191)</b>	
<b>BEGINNING UNRESERVED FUND BALANCE - BUDGET BASIS</b>	<b>95,600</b>	<b>98,017</b>	
Deduct the GAAP Expenditures Not Budgeted		(114)	
(Additions) Deductions to Reserve for Encumbrance		3,497	
(Additions) Deductions to the Long-Term Loan Reserve		(29)	
(Additions) Deductions to the Statutory Four Percent Reserve	(14,300)	(14,292)	
<b>ENDING UNRESERVED FUND BALANCE - BUDGET BASIS</b>	<b>\$ (0)</b>	<b>\$ (1,034,112)</b>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
UNRESERVED FUND BALANCE - FUNDED BY GENERAL PURPOSE REVENUE  
BUDGET AND ACTUAL - CAPITAL CONSTRUCTION FUND  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2005**

<b>(DOLLARS IN THOUSANDS)</b>	<b>CURRENT ANNUAL ESTIMATE/ UNRESTRICTED BUDGET</b>		<b>PERCENT OF ESTIMATE</b>
		<b>ACTUAL</b>	
REVENUES:			
General Fund Transfer-In	\$ 100	\$ 76	
Beginning General Fund Excess Reserve Transfer	31,900	32,672	
Interest Earnings	1,900	1,545	
<b>TOTAL CAPITAL CONSTRUCTION REVENUES</b>	<b>33,900</b>	<b>34,293</b>	101.2%
EXPENDITURES:			
Agriculture	750	-	
Corrections	3,983	67	
Education	425	3	
Governor	310	44	
Health Care Policy and Financing	112	-	
Higher Education	36,431	9,257	
Human Services	5,570	671	
Judicial Branch	258	3	
Military Affairs	1,441	129	
Natural Resources	4,204	4,204	
Personnel	8,107	4,455	
Public Health and Environment	489	372	
Public Safety	506	506	
Regulatory Agencies	5	5	
Revenue	610	540	
Intrafund Transfer-Out	76	76	
<b>NET EXPENDITURES AND AUGMENTING REVENUES</b>	<b>63,277</b>	<b>20,332</b>	32.1%
EXCESS GENERAL REVENUES OVER (UNDER)			
NET CAPITAL CONSTRUCTION EXPENDITURES	(29,377)	13,961	
EXCESS AUGMENTING REVENUES		9,683	
BEGINNING UNRESERVED FUND BALANCE - GAAP BASIS	(12,545)	(12,545)	
(Additions) Deductions to Reserve for Encumbrances - All Funding Sources	64,645	(65,042)	
(Additions) Deductions to Reserve for Other Specific Purposes	-	5,736	
<b>ENDING UNRESERVED FUND BALANCE - GAAP BASIS</b>	<b>\$ 22,723</b>	<b>\$ (48,207)</b>	